

(3) By Order No. R-11082 issued in Case No. 12004 on November 16, 1998, the Division, upon application of Stevens & Tull, Inc., established the subject non-standard gas proration unit, and approved the unorthodox bottomhole gas well location for the Sweet Thing Federal Unit No. 2.

(4) The Little Box Canyon-Morrow Gas Pool is currently governed by Division Rule 104.C.(2) which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) Additionally, Rule 104.C.(2)(b) provides that:

“only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is located no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.”

(6) The applicant presented geologic and engineering evidence that demonstrates:

- a) the Morrow formation within Section 31 contains two separate and distinct channel sands identified by Arco (BP) as the Morrow “A” Sand and the Morrow “B” Sand;
- b) the Sweet Thing Federal Unit No. 2, which was drilled by Stevens & Tull, Inc. in August, 1998, is currently producing from the Morrow “B” Sand through the perforated interval from 8,042 feet to 8,088 feet. The well is currently producing at a rate of several million cubic feet of gas per day, however, the well is on a steep decline and should deplete this channel sand within 18 months;
- c) the Morrow “A” Sand traverses Section 31 in a north-south direction and is located primarily within the western portion of the spacing unit, however, the